

Message Text

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EA/TIMBS:ROBINSON

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R 111550Z AUG 78
FM SECSTATE WASHDC
TO AMEMBASSY BRASILIA
AMEMBASSY CARACAS
AMEMBASSY JAKARTA
AMEMBASSY KINGSTON
AMEMBASSY KINSHASA

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E.O. 11652: N/A

TAGS: EMIN

SUBJECT: PRESIDENTIAL NONFUEL MINERALS POLICY REVIEW

REF: STATE A-2631

1. ADDRESSEE POSTS HAVE BEEN SELECTED BY THE DEPARTMENT
TO PARTICIPATE IN AN INTERAGENCY NONFUEL MINERALS POLICY
REVIEW ORDERED BY THE PRESIDENT. AS PART OF ITS COMMIT-
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MENT TO THE REVIEW THE DEPARTMENT IS UNDERTAKING STUDIES
OF SEVERAL COUNTRIES HAVING SPECIAL IMPORTANCE AS PRO-
DUCERS OF 12 MINERALS SELECTED FOR EMPHASIS IN THE REVIEW.
RESPONSES TO THIS MESSAGE WILL CONSTITUTE THE MAJOR
INPUT INTO THESE COUNTRY STUDIES.

2. THE INTERAGENCY POLICY REVIEW IS DESCRIBED IN A

"PROJECT MANAGEMENT PLAN" (PMP) ACCEPTED BY ALL PARTICIPATING AGENCIES. A COPY WAS TRANSMITTED FOR POST INFORMATION AND GUIDANCE WITH REPAIR. THIS MESSAGE RELATES ONLY TO THE "PROBLEM AREA", DESCRIBED IN PAGES 16-19 OF THE PMP, FOR WHICH THE DEPARTMENT HAS "LEAD; RESPONSIBILITY. OTHER WASHINGTON AGENCIES ARE ADDRESSING OTHER AREAS, INCLUDING COMPETITION (INTERIOR), R AND D (NATIONAL SCIENCE FOUNDATION), GENERAL SUPPLY PROBLEMS (INTERIOR) AND FINANCE (TREASURY). THE DEPARTMENT HAS AN "ADVISORY" ROLE IN EACH OF THESE AREAS AND, AS WORK PROCEEDS, POSTS MAY BE REQUESTED, IN SEPTELS, TO PROVIDE APPROPRIATE ASSISTANCE. ADDITIONALLY (AS AMEMBASSY BRASILIA IS ALREADY AWARE) THE GAO IS UNDERTAKING AN INDEPENDENT STUDY OF NONFUEL MINERALS AND MAY REQUEST HELP FROM SOME POSTS. AT THE RISK OF SOME DUPLICATION, POSTS SHOULD RESPOND SEPARATELY TO THESE REQUESTS IN ORDER TO BEST SATISFY THE DIFFERING INTERESTS OF THE AGENCIES.

3. WE RECOGNIZE THAT CONSIDERABLE DATA AND ANALYSIS MAY ALREADY BE AVAILABLE IN WASHINGTON FROM PREVIOUS FOREIGN SERVICE REPORTING AND OTHER SOURCES. REFERENCES TO SUCH MATERIAL MAY BE INCLUDED IN RESPONSES TO THE QUESTIONS LISTED BELOW. IN ORDER THAT MATERIAL MAY BE SEEN IN CONTEXT, HOWEVER, AND TO ASSURE THAT THE DEPARTMENT BENEFITS FULLY FROM THE POSTS' BEST CURRENT INFORMATION AND JUDGEMENT, REPLIES TO QUESTIONS SHOULD BE AS SELF-UNCLASSIFIED

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CONTAINED AS POSSIBLE.

4. GIVEN THE TIME FRAME OF THE REVIEW -- FROM 1978 THROUGH 2000 -- IT IS ALSO IMPORTANT THAT REPLIES BE FORWARD-LOOKING AND ANALYTICAL. WHILE HISTORICAL DATA PROVIDE BASES FOR PROJECTIONS AND AN IMPORTANT QUANTIFIABLE INGREDIENT FOR ANALYSIS, EMPHASIS SHOULD BE ON FUTURE PROBLEMS AND CONSEQUENCES THAT ARE (1) EXPECTED, (2) PROBABLE, AND (3) IMPROBABLE BUT EXTREMELY IMPORTANT SHOULD THEY OCCUR. AN IMPORTANT OBJECTIVE OF THIS PHASE OF THE STUDY IS TO IDENTIFY AND CLASSIFY POSSIBLE PROBLEMS THAT COULD PRODUCE DISLOCATIONS IN THE SUPPLY AND/OR DEMAND FOR MINERALS, E.G., ABRUPT PRICE CHANGES, OVERSUPPLY, OR SEVERE SHORTAGES. AS NOTED IN PMP (WHICH SHOULD BE CONSULTED IN RESPONDING TO THIS MESSAGE), THE PROBLEMS MAY BE INADVERTENT, OR DELIBERATE, MAY ARISE FROM US OR FOREIGN POLICIES OR ACTIONS, AND MAY BE CAUSED BY POLITICAL, ECONOMIC, LEGAL, OR PHYSICAL EVENTS.

5. THE DEPARTMENT RECOGNIZES THAT ANALYSIS MUST BE CONDUCTED WITHIN THE CONSTRAINTS OF TIME AND STAFF RESOURCES, AND THAT THE BEST AVAILABLE DATA MAY AT TIMES BE INSUF-

FICIENT FOR THOROUGH ANALYSIS OF CERTIAN PROBLEMS AND ISSUES. WHILE PURELY IMPRESSIONISTIC REPORTING SHOULD BE AVOIDED, YOUR BEST JUDGEMENT, BASED ON YOUR EXPERIENCE AT POST AND YOUR "FEEL" FOR A SITUATION, IS OF DISTINCT VALUE AND SHOULD BE INCLUDED IN YOUR RESPONSE, WITH ANY APPROPRIATE CAVEATS.

6. THE FOLLOWING QUESTIONS ARE DRAWN FROM THOSE IN THE PMP (PAGES 16-19) WHICH THE DEPARTMENT IS REQUIRED TO ADDRESS. THEY HAVE BEEN ARRANGED IN OUTLINE FORM TO FACILITATE POSTS PREPARATION OF AN ANALYTICAL, NARRATIVE

RESPONSE WITH STATISTICAL AND OTHER DATA TO BE INCLUDED AS APPROPRIATE.

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7. REPLIES ARE DUE IN THE DEPARTMENT BY SEPTEMBER 15.

8. QUESTIONNAIRE/OUTLINE:

A. IMPLICATIONS OF POPULATION GROWTH AND ECONOMIC GROWTH FOR MINERALS AVAILABILITY:

(1) ALTHOUGH SOME DATA ARE AVAILABLE HERE, WE WOULD APPRECIATE YOUR MOST RECENT AVAILABLE PROJECTIONS OR ESTIMATES OF RATES OF POPULATION AND ECONOMIC GROWTH FOR PERIODS 1978-85 AND 1986-2000. INCLUDE SOURCE AND ASSUMPTIONS ON WHICH PROJECTIONS ARE BASED AND YOUR EVALUATIVE COMMENT.

(2) IS ANY RESEARCH OR ANALYSIS AVAILABLE RELATING POPULATION AND/OR ECONOMIC GROWTH PROJECTIONS TO ESTIMATED FUTURE CONSUMPTION THAT WOULD REFLECT ON AVAILABILITY OF MATERIALS, INCLUDING MINERALS FOR EXPORT? IS THERE ANY RELATIONSHIP, EXPLICIT OR OTHERWISE, BETWEEN PROJECTED POPULATION GROWTH AND THE GOVERNMENT'S DEVELOPMENT STRATEGY? EXPLAIN.

B. STRUCTURE OF THE MINERALS INDUSTRY

(1) HOW IMPORTANT IS THE NONFUEL MINERALS INDUSTRY TO THE ECONOMY (E.G., AS SHARE OF GDP, EMPLOYMENT RELATIVE TO TOTAL WORKFORCE, FOREIGN EXCHANGE EARNINGS, ETC.)? USE MOST RECENT DATA WITH YOUR EVALUATION OF ITS RELIABILITY.

(2) IS THE STATUS OF THE MINERALS INDUSTRY (AS EMPLOYER, FOREIGN EXCHANGE EARNER, CONTRIBUTOR TO NATIONAL INCOME
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ETC.) SUCH AS TO EITHER ENCOURAGE OR CONSTRAIN THE COUNTRY'S ABILITY OR WILLINGNESS TO INTERRUPT SUPPLY OR CHANGE PRICES? HOW DO GOVERNMENT AND INDUSTRY RESPOND TO FLUCTUATIONS IN INTERNATIONAL DEMAND? DO SOCIAL OR FOREIGN TRADE POLICIES INFLUENCE PRODUCTION? EXPLAIN.

(3) DISCUSS ANY SIGNIFICANT TRENDS OR RECENT DEVELOPMENTS IN THE MINERALS INDUSTRY OWNERSHIP, CONTROL, GOVERNMENT INTERVENTION, GOVERNMENT/INDUSTRY RELATIONSHIPS. WHAT ARE THE LIKELY IMPLICATIONS OF THESE TRENDS AND DEVELOPMENTS ON FUTURE MARKETING PATTERNS, INDUSTRY/CUSTOMER RELATIONSHIPS, FOREIGN TRADE? WHAT IMPORTANCE IS ATTACHED TO UP-GRADING THE INDUSTRY TO ACCOMPLISH MORE PROCESSING (SMELTING, REFINING, METALS PRODUCTION)?

(4) HOW DOES THE INDUSTRY OBTAIN FINANCING FOR MINING AND RELATED PROJECTS? WHAT HELP DOES THE GOVERNMENT PROVIDE? WHAT IS PLANNED FOR THE FUTURE ESPECIALLY REGARDING FURTHER EXPLORATION, EXPANSION OF RESERVES, AND INCREASED PROCESSING?

C FURTHER ROLE OF GOVERNMENT IN MINERALS

(1) HOW DOES THE GOVERNMENT VIEW THE FUTURE OF THE MINERALS INDUSTRY? WHAT CHANGES HAVE OCCURED IN RECENT YEARS THAT WILL HAVE IMPORTANT IMPACT IN YEARS AHEAD?

(2) DO CURRENT AND/OR ANTICIPATED TAX LAWS AND REGULATIONS (DEPRECIATION, DEPLETION ALLOWANCES, AMORTIZATION, REBATES, ETC.) ENCOURAGE DEVELOPMENT IN THE MINING AND/OR MINERALS PROCESSING INDUSTRIES? SPECIFICALLY, WHAT INCENTIVES (OR DISINCENTIVES) ARE PROVIDED BY GOVERNMENT TO FURTHER NONFUEL MINERALS INDUSTRY GROWTH? HOW IMPORTANT ARE THEY? WHAT ASPECTS OF THE INDUSTRY (EXPLORATION, MINING, PROCESSING, MARKETING) ARE MOST AFFECTED? WHAT ARE THE LIKELY EFFECTS IN THE NEAR- OR LONG TERM?

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(3) WHAT ARE THE GOVERNMENT ATTITUDES TOWARD CARTELS, PRODUCERS ASSOCIATIONS, OR OTHER FORMS OF MARKET CONTROL? CONSIDERING THE MOST LIKELY PARTNERS IN SUCH ASSOCIATIONS, HOW WOULD YOU EVALUATE THE PROSPECTS FOR EFFECTIVE LONGER-TERM ACTION?

(4) WHAT INSTITUTIONS, ORGANIZATIONS, OR OTHER INTEREST GROUPS ARE MOST INFLUENTIAL IN THE FORMULATION OF MINERALS POLICY? JUST HOW INFLUENTIAL ARE THEY?

(5) WHAT OPPOSITION GROUPS HAVE SIGNIFICANT MINERALS INTERESTS? WOULD THEIR ASCENDENCY RESULT IN SERIOUS DISRUPTION OF THE INDUSTRY, WITH IMPORTANT ADVERSE EFFECTS FOR THE U.S. IN TERMS OF ACCESS TO MINERALS AT FAIR PRICES?

(6) WHAT ARE THE MAIN PUBLIC AND PRIVATE CHANNELS FOR COMMUNICATION WITH THE U.S. MINERALS ISSUES? HOW WELL DO THEY WORK?

D. EFFECT OF U.S. POLICIES

(1) HOW ARE CURRENT U.S. MINERALS POLICIES, INCLUDING THE OPERATION OF THE STRATEGIC STOCKPILE AND THE U.S. POSITION ON INTERNATIONAL COMMODITY ARRANGEMENTS, PERCEIVED BY THE GOVERNMENT AND OTHER INFLUENTIAL ELEMENTS? WHAT RECENT U.S. ACTIONS OR POLICY DEVELOPMENTS HAVE BEEN MOST HARMFUL/MOST HELPFUL IN TERMS OF ASSURING CONTINUING

ACCESS TO MINERALS AT REASONABLE PRICES? DOES U.S. FOREIGN POLICY WITH RESPECT TO YOUR COUNTRY TAKE U.S. MINERALS INTEREST SUFFICIENTLY INTO ACCOUNT?

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(2) ARE INVESTMENT DECISIONS IN THE MINING AND METALS PROCESSING INDUSTRIES AFFECTED BY U.S. TARIFF POLICY? HOW? TO WHAT DEGREE? VANCE

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